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II

Letter from T. K. RAJAGOPALAN, Esq., B.A., Accountant-General (O.A.D. section), to the Secretary to Government, Development Department, dated 28th August 1935, No. O.A. 33 (f) 7/35–36/902.

I have the honour to forward herewith the audit report and accounts of the Industrial Engineering Workshops, Madras, for the year ended 31st March 1935.

2. Copies of this report and of the accounts have been sent to the Director of Industries, Madras, for necessary action.

3. Copies of the report and of the accounts have also been sent to the Secretary to the Government of Madras, Finance Department, the Industrial Engineer, Madras, and to the Assistant Industrial Engineer-in-charge of the Workshops.

ENCLOSURE.

Industrial Engineering Workshops, Madras—Audit report on the accounts for the year ended 31st March 1935.

The accounts of the workshops for the year ended 31st March 1935 have been audited and the manufacturing and profit and loss account for the year is attached hereto, the balance sheet having been discontinued as the result of the changes introduced with effect from 1st April 1934 in G.O. No. 1407, Development, dated 20th November 1933. A schedule showing the depreciation revenue account as on 31st March 1935 is also attached hereto.

2. The loss for the year as per the profit and loss account is Rs. 13,760. This includes the sum of Rs. 5,578—(vide details given in the margin) relating to previous years debited to the profit and loss account of the year under audit. If this item is left out of account the loss for the year is Rs. 8,182 against the net loss of Rs. 10,288 as per last year's profit and loss account (which should have normally borne this additional debit Rs. 5,578).

	RS.	A.	P.
* Repairs to buildings ..	624	14	0
Loss on sale of surplus stores written off in G.O. Ms. No. 339, Development dated 4th March 1935	4,953	0	3
Total ..	5,577	14	0
or ..	5,578	0	0

3. The comparative figures of prime cost, turnover, loss, etc., for the two years ending 31st March 1935 are given below:—

		1934–35.	1933–34.
		RS.	RS.
Turn over		59,284	71,818
Prime cost	Labour	13,713	15,262
	Materials	25,473	35,115
Difference representing recovery for overheads.		20,098	21,441
Expenditure on overheads		35,947	33,926
Loss		15,849	12,485
Deduct other miscellaneous receipts.		2,089	2,197
Net Loss ..		13,760	10,288

	1934–35.	1933–34.
(*a*) Percentage of overheads to labour	262·1	222·3
(*b*) Percentage of overheads to prime cost ..	91·7	67·4
(*c*) Percentage of recovery for overheads to labour	146·6	140·5
(*d*) Percentage of recovery for overheads to prime cost	51·3	42·5
(*e*) (i) Percentage of loss (Rs. 13,760) to turnover	23·2	14·3
(ii) Percentage of loss (Rs. 8,182) to turnover	13·8	

(Vide paragraph 2 above.)

It will be seen from the figures furnished above that the turnover fell from Rs. 71,818 in the previous year to Rs. 59,284 during the year under review. The decrease is chiefly noticeable under "work done for the pumping and boring section" while there is an appreciable increase in the work done for other departments as indicated below:—

Turnover.

	1934–35.	1933–34.	1932–33.
	RS.	RS.	RS.
Pumping and Boring section	56,970	70,541	59,914
Industries Department	253	158	1,016
Other Departments	998	125	
Private parties	1,063	994	5,585
	59,284	71,818	66,515

The decrease in the turnover indicates that the paucity of orders from private parties referred to in paragraph 3 of the last year's report continued during the year under review. Further there has been a decrease of nearly 20 per cent in the works entrusted by the pumping and boring section.

The percentage of overheads to labour was 262·1 for the year under review as against 222·3 for the previous year. The actual recovery rose, however, to 146·6 per cent as against 140·5 per cent during the year 1933–34.

4. *Overheads.*—There was an increase of Rs. 2,021 in the overhead charges during 1934–35 as compared with those of the previous year as indicated below:—

	1934–35.	1933–34.
	RS.	RS.
Depreciation	4,673	4,673
Workshop maintenance	2,672	3,346
Interest on capital	6,977	8,767
Salary, leave and pensionary contribution ..	12,662	12,079
Other items	8,963	5,061
	35,947	33,926
Actual increase ..	2,021	

The decrease of Rs. 1,790 under "Interest on capital" is due to the reduction of Rs. 29,270 in the mean capital of the year and a reduction in the rate of interest on capital from 5·38 per cent adopted in the previous year to 5·21 in the year under review.

The increase under "other items" is chiefly due to the extra debits referred to in paragraph 2 above set off by the reduction in the audit fee from Rs. 1,080 to Rs. 840 as per G.O. Ms. No. 213, Development, dated 9th February 1935.

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5. The workshop has been working at a loss for the past five years as will be seen from the statement furnished below:—

Year.	Expenditure on over-head.	Amount recovered on account of overheads.	Deficiency.	Net trading loss.
	RS.	RS.	RS.	RS.
1930–31	47,827	29,182	18,645	17,592
1931–32	43,883	20,847	20,036	22,714
1932–33	36,582	17,171	19,411	15,184
1933–34	33,926	21,441	12,485	10,288
1934–35	35,947	20,098	15,849	13,760

The net loss for 1934–35, however, is only Rs. 8,182 (vide paragraph 2 above) and it is far less than the loss in any previous year.

The percentage of overheads to labour has gone up to 262·1 in the year under report and with the levy of the 300 per cent ordered in G.O. Ms. No. 1537, Development, dated 8th November 1934, to take effect from 1st April 1935, the loss to the workshop may go down.

6. The amounts of Rs. 32-13-0 and Rs. 634-1-0 being the losses due to the revaluation of stores and loose tools respectively and debited to the profit and loss account of the year under report require to be written off under the orders of the Government.

7. The annual physical verification of stock is stated to be now going on and the result of verification may be reported.

8. *Paragraph* 9 (*b*) *of the last audit report.*—Orders of Government are awaited. Vide paragraph 6 of G.O. No. 370, Development, dated 9th March 1935.

9. *Stock book of pumping and boring articles.*—(*a*) There is no indication in the stock book of the stock having been periodically verified. This may be done and a certificate of verification recorded.

(*b*) There were several instances in which the dimensions of articles issued from stock to the jobs did not tally with those noted on the indents. These were explained as due to the lack in stock of the articles of the dimension noted on the indents. In such cases the dimensions of articles actually issued may be noted on the indents to facilitate check.

10. *List of unused and surplus stores.*—An up-to-date list of unused and surplus stores has been prepared by the Assistant Industrial Engineer including those omitted to be included in the list for 1933–34. The list is likely to be altered as the result of the stock verification now going on. Orders are awaited for the disposal of the articles shown in the list and of the stock, purchased prior to the issue of the standing orders, forming the excess over the sanctioned reserve.

MADRAS,
23rd August 1935.

T. K. RAJAGOPALAN,
Examiner, Outside Audit Department.

Sub-enclosures.

(1)

Manufacturing and Profit and Loss Account for the year ended 31st March 1935.

	Labour. RS. A. P.	Materials. RS. A. P.	Total. RS. A. P.
To work in progress at commencement.	747 12 7	1,109 9 0	1,857 5 7
Deduct erroneous debit in 1933–34.	2 0 0	..	2 0 0
	745 12 7	1,109 9 0	1,855 5 7
„ Productive jobs	13,244 1 3	24,803 8 0	38,047 9 3
	13,989 13 10	25.913 1 0	39,902 14 10
Less work in progress at close ..	276 10 11	440 0 6	716 11 5
Prime cost ..	13,713 2 11	25,473 0 6	39,186 3 5
„ Overheads—Depreciation—			
Buildings	..	1,864 0 0	
Plant and Machinery ..	..	2,497 0 0	
Electric installation	..	42 0 0	
Furniture and fixtures ..	..	270 0 0	
			4,673 0 0
„ Workshop maintenance—			
Labour	..	717 0 2	
Materials	..	1,954 10 3	
			2,671 10 5
„ Salaries and allowances ..	..	10,686 2 0	
„ Leave contribution	..	1,012 10 0	
„ Pension contribution	..	903 11 0	
„ Interest on Capital	..	6,977 0 0	
„ Wages of menials	..	689 14 10	
„ Electric charges	..	59 13 0	
„ Rents, rates and taxes ..	..	235 0 0	
„ Stationery and forms	..	245 5 0	
„ Audit fees	..	840 0 0	
„ Boiler inspection fees	..	35 0 0	
„ Renewals and repairs to buildings.	..	624 14 0	
„ Renewals and repairs to plant and machinery.	..	232 4 1	
„ Value of stores written off due to revaluation.	..	32 13 0	
„ Value of loose tools written off..	..	634 1 0	
„ Value of surplus stores written off.	..	4,953 0 0	
„ Miscellaneous charges	..	380 13 11	
			28,602 5 10
Total ..	..	..	75,133 3 8

	RS. A. P.	RS. A. P.
By work done for—		
Pumping and boring section	5,697 2 6	
Industries department	252 14 0	
Other departments	998 3 0	
Private parties	1,062 9 0	
		59,283 12 6
„ Interest on Depreciation Reserve	..	2,070 0 0
„ Miscellaneous receipts	..	19 7 0
„ Balance (net loss)	..	13,760 0 2
Total		75,133 3 8

Examined and found correct subject to my report of even date.

MADRAS,
23rd August 1935.

T. K. RAJAGOPALAN,
Examiner, Outside Audit Department.

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(2)

Schedule A—Depreciation Reserve Account as on 31st March 1935.

	RS.	A.	P.		RS.	A.	P.
Amount invested with Government during 1933-34.	39,737	4	1	Depreciation on—			
				Buildings	23,924	11	5
				Electric installation ..	503	13	8
Balance remaining to be adjusted.	18,847	15	1	Plant and Machinery ..	29,487	12	3
				Furniture	4,668	13	9
	58,585	3	1		58,585	3	1

III

Letter from L. B. Green, Esq., M.B.E., acting Director of Industries, to the Secretary to Government, Development Department, dated 24th October 1935, No. 2184-E/35.

I submit the following remarks on the audit report on the accounts of the Industrial Engineering Workshop, Madras, for the year ending 31st March 1935.

Paragraph 6 *of the audit report—Loss due to revaluation of stores and loose tools—Rs.* 666-14-0.—Proposals have been submitted to Government separately in this office letter No. 2580-Eng./35, dated 11th October 1935, for sanction to the writing off of this loss.

2. *Paragraph* 7 *of the report—Stock verification.*—There were no excesses or deficits in the stock as reported by the Stock Verifying Officer.

3. *Paragraph* 8 *of the audit report—Paragraph* 9 (*b*) *of the last audit report—Book debts.*—Orders of Government are awaited.

4. *Paragraph* 9 (*a*) *of the audit report—Stock book of pumping and boring articles.*—The Assistant Industrial Engineer reports that a percentage verification of extra heavy pipes and other articles has since been made by the Stock Verifying Officer and his signature is affixed against the items verified by him.

5. *Paragraph* 10 *of the audit report—Disposal of unused and surplus stores.*—The list of surplus stores received from the Assistant Industrial Engineer includes a few articles which are likely to be consumed by the workshop in the course of the year. This is being examined by the Industrial Engineer. Proposals in this regard will be submitted to Government separately.

Order—No. 1688, *Development, dated 3rd December* 1935.

Recorded.

2. *Paragraph* 6 *of the audit report and the Director's remarks thereon—Loss due to revaluation of stores and loose tools.*—Orders have already been issued in G.O. No. 1513, Development, dated **31st October 1935.**

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3. *Paragraph 8 of the audit report and the Director's remarks thereon—Book debts.*—The attention of the Director is invited to Government Memorandum No. 4239-II/34-2, dated 3rd April 1935, in which orders have already been issued. A copy of the memorandum is furnished to the Accountant-General for information.

4. *Paragraph 9 (a) of the audit report and the Director's remarks thereon—Stock book of pumping and boring articles.*—The Director is requested to issue necessary instructions for the periodical verification and certification of the stock by the Assistant Industrial Engineer-in-charge of the Workshops. In cases where the dimensions of articles issued from stock to the jobs do not tally with those noted on the indents, the dimensions of articles actually issued should, in future be noted on the indents to facilitate check.

5. *Paragraph 10 of the audit report and the Director's remarks thereon—Disposal of unused and surplus stores.*—The Director's proposals are awaited.

(By order of the Government, Ministry of Public Works)

C. A. HENDERSON,
Secretary to Government.

To the Director of Industries.
,, Accountant-General, through the Finance Department (with a copy of Official Memorandum No. 4239-II/34-2, dated 3rd April 1935).
,, Finance Department.
,, Secretary, Legislative Council, for placing the Government Order on the Council Table.
,, Librarian, Legislative Council.

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